

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY**

COMMODITY FUTURES TRADING	)	
COMMISSION,	)	
	)	No.: 04-cv-1512 (RBK)
Plaintiff,	)	
	)	
vs.	)	
	)	
EQUITY FINANCIAL GROUP, LLC,	)	
TECH TRADERS, INC., TECH	)	
TRADERS, LTD., MAGNUM	)	Hearing Date: March 3, 2006
INVESTMENTS, LTD., MAGNUM	)	
CAPITAL INVESTMENTS, LTD.,	)	
VINCENT J. FIRTH, ROBERT W.	)	
SHIMER, COYT E. MURRAY, and J.	)	
VERNON ABERNETHY,	)	
	)	
Defendants.	)	

**MEMORANDUM IN SUPPORT OF EQUITY RECEIVER’S MOTION FOR  
APPROVAL OF SETTLEMENT REGARDING CLAIM OF JEFFREY  
MARRONGELLE**

Stephen T. Bobo, as Equity Receiver (the “Receiver”) for defendants Equity Financial Group, LLC, Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Inc., Magnum Capital Investments, Inc., Vincent J. Firth, and Robert W. Shimer, submits this Memorandum in support of his request for this Court to approve a settlement reached concerning the Receiver’s objections to Jeffrey Marrongelle’s claim against Shasta Capital Associates, Ltd. (“Shasta”).

The Receiver’s Objection to Marrongelle’s Claim

The Receiver has filed an objection to the claim filed by Jeffrey Marrongelle (“Marrongelle”) in the amount of \$100,000 against Shasta. The basis of the Receiver’s objection is that Marrongelle received in excess of \$54,000 which originated from Tech Traders, Inc. in repayment of an earlier investment he made with Edgar Holding Group (“Edgar”). Edgar had

invested a total of \$250,000 with Magnum Investments, Ltd., and Marrongelle had invested \$60,000 with Edgar. However, Marrongelle's investment was made after Edgar made all of its investment with Magnum, so Marrongelle's funds were never placed with Magnum. Instead, Edgar used Marrongelle's funds for other purposes. Tech Traders received nothing of value for the money it transferred to Edgar which in turn funded Magnum's payments to Marrongelle. Therefore, it would be inequitable for Marrongelle to retain these funds and also be able to share in the distributions from the receivership estate.

#### Marrongelle's Response to the Receiver's Objection

Marrongelle has responded to the Receiver's objection by contending, among other things, that he merely received back payments of interest at six percent (6%) and principal on his investment in the ordinary course, that he had no reason to believe that his Edgar investment had been lost or otherwise dissipated, and that he gave full value to Edgar in return of the payments he received.

#### Resolution Reached by the Receiver and Marrongelle

While in the process of discovery, the Receiver and Marrongelle have further reviewed the facts and circumstances and reached a resolution of the objection, subject to approval by the Court. The proposed settlement terms are as follows:

- Marrongelle's claim would be allowed against Shasta in the amount of \$100,000 and the Receiver's objection would be withdrawn with prejudice;
- Distributions made to Marrongelle on account of his claim are to be reduced by credits in the total amount of \$25,000 in favor of the receivership estate;

- The initial interim distribution to Marrongelle from Shasta shall be reduced from \$36,500 to \$21,500 by application of a \$15,000 credit;
- Any subsequent distributions to Marrongelle from Shasta shall be reduced by an additional credit in the total amount of \$10,000;
- The value of the credits applied against Marrongelle's distributions shall be transferred from the Shasta account to the Tech Traders' account; and
- Marrongelle does not intend for this settlement to affect any claims he may have against Edgar Holding Group, Robert W. Shimer, Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Ltd., Magnum Capital Investments, Ltd., Equity Financial Group, LLC, Vincent J. Firth, Coyt E. Murray or J. Vernon Abernethy.

The Receiver believes this settlement is fair and reasonable for the receivership estate for several reasons. Further review of Edgar's bank records revealed that the total amount of the funds paid to Marrongelle that can be shown to have originated with Tech Traders was about \$50,000, not \$54,000. The balance of the payments to Marrongelle had other sources, including Marrongelle's own deposits. There is no evidence that Marrongelle had any indication that his Edgar investment had been lost, either through commodity trading or otherwise. The documents for Marrongelle's original investment also indicate that he was promised a return of 6% annual interest, which he viewed as a better return than what his funds had previously been earning. Although the Receiver continues to believe that Marrongelle's retention of the repayments totaling \$50,000 is unfair to other investors, especially since he is asserting a claim in this case, the facts raised by Marrongelle create uncertainty regarding the outcome of litigation on the issue. The Receiver is also mindful of the time and expense involved in further litigation.

After evaluating these various factors, the Receiver believes that the proposed 50 percent recovery for the receivership estate of the funds received by Marrongelle that originated with Tech Traders is fair and equitable and in the best interests of investors and other creditors. Furthermore, the Receiver has discussed the settlement with the CFTC's attorney, who indicated that she had no objection to the proposed terms.

For the foregoing reasons, the Receiver respectfully requests that the Court enter an Order approving the settlement with Marrongelle on the terms set forth above, allowing Marrongelle's claim; authorizing the Receiver to make distributions on Marrongelle's claim after applying the credits described above; authorizing the Receiver to transfer the value of the credits from the account for Shasta to the account for Tech Traders; and such other relief as may be appropriate in the circumstances.

Dated: February 1, 2006

Respectfully submitted,

Stephen T. Bobo, Equity Receiver

By: s/ Jeffrey A. Carr  
One of his attorneys

Bina Sanghavi  
Raven Moore  
Sachnoff & Weaver, Ltd.  
10 South Wacker Drive, Suite 4000  
Chicago, IL 60606  
(312) 207-1000

Matthew H. Adler (MA-4720)  
Jeffrey A. Carr (JC-1103)  
Pepper Hamilton LLP  
(A Pennsylvania Limited Liability Partnership)  
300 Alexander Park  
Princeton, NJ 08543-5276  
(609) 452-0808

*Counsel for Equity Receiver*